



INDUSTRY CIRCULAR

DEPARTMENT OF
THE TREASURY

Bureau of Alcohol, Tobacco and Firearms
Washington, D. C. 20226

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BOTTLING OF BULK IMPORTED BEER

Importers of Malt Beverages, Brewers, and Others Concerned

Purpose. The purpose of this circular is to advise importers of malt beverages, brewers, and others concerned that an ATF ruling concerning the reduction of the alcohol content of imported bulk beer by the addition of water in a customs bonded warehouse and the subsequent bottling of such beer will be published in a future issue of the Alcohol, Tobacco and Firearms Quarterly Bulletin. The ruling will read substantially as follows:

Bottling of Bulk Imported Beer

Background. With the agreement to create a North American Free Trade Zone, the Bureau of Alcohol, Tobacco and Firearms (ATF) anticipates that more consumer goods, including beer, will move in commerce between the United States, Canada, and Mexico. ATF has been asked to consider whether a domestic importer or brewer can import high alcohol beer in bulk into a customs bonded warehouse where the alcohol content of the beer would be reduced with water and then bottled. For example, beer with 9% alcohol by volume would be reduced by the addition of water to 4.5% alcohol by volume.

Discussion. The Customs Service sanctions the proposed activity as an authorized manipulation of imported beer in a class 8 customs bonded warehouse. In a Customs decision, the Customs Service ruled that an equal volume of water may be added to the beer in order to reduce the alcohol content of the beer. C.S.D. 80-165, as published in 1980 Customs Bulletin 1008, 1010. The Customs Service has also ruled that such reduction of alcohol content does not apply to beer concentrate, since such activity is manufacturing and not manipulation. C.S.D. 82-24, as published in 1982 Customs Bulletin 713, 715.

Held: In accordance with the Customs Service decisions, high alcohol imported bulk beer (other than beer concentrate) may be entered into a customs bonded warehouse and reduced in alcoholic content by the addition of up to an equal volume of water. Upon removal of the beer from the warehouse, the importer is liable for internal revenue excise taxes and customs duties on the volume of beer after the addition of water.

Held further: Such bulk beer may be bottled in a customs bonded warehouse to the extent allowed by the Customs Service. Alternatively, the importer may remove the beer from the customs warehouse to a brewery which has been curtailed to receive taxpaid imported bulk beer. Such an extension of the brewery may be on a permanent or an alternating basis. In either case, the brewer must file an amended brewer's notice, ATF Form 5130.10 with the regional director (compliance) to show the curtailment.

Held further: If the beer is bottled in customs custody, the importer must obtain a certificate of label approval under the provisions of the Federal Alcohol Administration Act, 27 U.S.C. § 205(e), and 27 CFR Part 7, Labeling and Advertising of Malt Beverages before removal. If the beer is removed from customs custody to the curtailed premises of a brewery, the brewer must obtain the certificate of label approval before bottling at the brewery. A certificate of label approval is not required for removal of taxpaid bulk beer from customs custody to a brewery for bottling.

Beer to which water has been added within the United States is classified as an imported product. Such beer must be labeled with the country of origin statement such as "a product of name of country." 19 CFR § 134.13(b)(2). In accordance with 27 CFR §§ 7.25 and 7.29(a)(1), the country of origin statement must be followed by a clarifying statement such as "imported, prepared, and bottled in the United States by name(s) and address(es) of the importer (and bottler where the importer is not the bottler)," in order to avoid misleading the consumer as to the origin, manufacturing processes, and bottling of the beer.

Inquiries: Questions regarding the establishment of a Customs warehouse under 19 U.S.C. § 1562 should be addressed to the appropriate District Director of Customs. Other questions regarding this circular should refer to its number and be addressed to the regional director (compliance).


Director

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